The Financial Crisis and The Future of Higher Education

The financial crisis has precipitated a wide range of responses throughout American higher education, ranging from addressing immediate financial problems such as the lack of liquidity to considering the role of the university in a changed world. Henry Bienen, president emeritus of Northwestern University, and David Boren, president of the University of Oklahoma, discuss the financial crisis and the future of higher education from the perspective of private and public institutions, respectively. Among other things, Bienen worries about the impact of the financial crisis on financial aid and the ability to attract lower-income students to higher education, and expresses concern about inconsistent research budgets from NIH and NSF. Boren emphasizes the importance of defending the liberal arts and global education in the face of pressure toward vocational education and cost cutting. Both discuss intercollegiate athletics finances as well. Excerpts of Bienen and Boren’s remarks are reprinted here.

RESPONSES TO THE FINANCIAL CRISIS

Henry Bienen, Northwestern University

I’m going to throw out some facts, which I think you probably all know, but they’re worth stating: Major research university endowments fell anywhere from 25-30% from their highs, and they’ve recovered somewhat, although I’d be nervous about endowments going forward. At Northwestern, we’re planning for flat endowments for the next two years. That’s what’s built into our budget model. If we get something better than flat endowments, good, but that’s what we’re planning. Of course, we don’t have any better idea than anybody else.

Responses to the financial crisis of the large endowment universities—say, over $3 billion—range from hiring freezes to actual cuts in staff and non-tenured faculty, to selective hiring; the last is what
we’ve done. We’ve actually done a lot of hiring because we see ourselves in a competitively advantageous position, and that comes from the fact spending from endowment for our operating budget is about 18%. There’s been an irony in the current economic conditions, that the wealthiest universities in the country have been heavily reliant on spending from endowment for their operating budgets. So the Harvards, Yales, Stanfords, Princeton have been at anywhere from 35 to 50%, if you take out the business schools and just look at their colleges. We’re not so reliant on spending from endowment, and we’ve had very conservative budgets over the years. We didn’t spend up to a rising endowment, and so we’ve had scope to make appointments, and we’ve been making a lot of them.

Now, that doesn’t mean that we haven’t taken cuts. We took 3% out of our operating budget, and we tabled about $90 to $100 million of capital expenditures. One anecdote I’ll share with you is that Larry Summers came to the most recent AAU meetings, and he looked out at the audience and said, you folks are smart. You’re long run thinkers. You should be counter-cyclical. You should be building like mad now, and the argument was that we had a relatively low inflation environment now. Construction is very weak so you can build cheap, and that’s true. But all the presidents turned to each other afterwards and said, I think he’s missing the liquidity issue. A lot of us have been borrowing in order to not have to sell distressed assets out of the portfolio, and so people are very worried about their bond ratings going forward. So if you borrow to build a lot, you’ve got a problem, which Larry—he was there in the stimulus package mode—overlooked.

In any case, there’s one good thing about this kind of austerity, I think, for a university, and that is you can get fat out of your budgets. We’ve been trying to look very closely at efficiencies, as I suspect almost everybody else. It’s not so easy, but we did it in 2001, 2002—at the last turn down.

There’s one aspect of this crisis that worries me a lot going forward, and that’s financial aid. At Northwestern, we didn’t push our financial aid budget as far as Harvard, Yale, and Stanford did, where essentially they went for no loans for people from pretty high income levels. We did that to some extent — $60,000 in family income would be a proxy. The algorithm is more complicated than just income, but we did expand no-loan packages, and that has had a big impact on our entering class. We went up 90% for people from Chicago public schools. We went up something like 80 or 90% for students who have Pell Grant awards. So expanding financial aid, and going for no-loan packages, gave us much more income diversity in our class, which is what we wanted to do. We did it very deliberately.

On the other hand, we increased our financial aid budget 10%, and we increased tuition 3.6%. That’s not sustainable. I don’t see how we could be able to continue to do that, and we’ve already seen some small liberal arts colleges making changes. I think that if we continue to have flat or even declining endowments, we will see changes in financial aid formulas. I’m not saying that universities will abandon need-blind admissions, but I wonder whether the no-loan policies put in place while endowments were growing will be sustainable.

Another area that I think this crisis has made an impact on is the way people have thought about their investment portfolio. In a growing environment, what we’ve all said to our endowment managers, our chief investment officers, is do what you think you need to do in order to grow the endowment as fast as possible. I would say from the budget point of view, I would have greater priority these days than I would have had in the past for liquidity, because the structure of our endowments meant that we got lots of cash calls. We had to meet them. We went into the market and borrowed a couple of hundred million dollars, which is small compared to some of the big research universities borrowings. But there are a lot of opportunities now, no doubt, in private equity, and maybe even in venture going forward. There are a lot of opportunities in the public equity markets because everything has been beaten down. Who knows? But from the budget management point of view, I think liquidity is going to loom somewhat larger than in the past.

If you look at the revenue streams for the research universities, what should you think about? The macro data that we have on gifts show declines for universities like Northwestern of anywhere from 10% to 30%. If anybody has a theory that had markets are good for giving, I’d like to hear it. I would say we’re in for a period of stress on gifts.

For the research universities, of course, we like to see big research funding. The stimulus package is very good for us in one sense, that lots more money is going to flow out of NSF and NIH, but research is not a moneymaker for anybody. Our research budgets have expanded a lot, and I think in the short run they’ll expand with the stimulus package. When we look at the stimulus package, if we were to get what we would consider our fair share—that is, what we normally get from budgets that come out of NSF and NIH—it may be about an additional $100 million for Northwestern. What that will mean in overheads is something else. Does anybody think that as we go forward beyond the stimulus package that the president and Congress will really be able to sustain very high levels NIH and NSF funding? That’s a big question. We hope so, because we think the funding is very important not just for the universities, but for the country. But if you look at macro budgets, what do you think? Do you think it’s going to happen? I don’t know, but it certainly would be a worry in this context.
Universities are not great at lopping off from their budgets. They can do it, but it’s not an easy thing for them to do. You cut a little here, and you cut a little there. Will you do radical surgery in your budgets? Will you shut down institutes? I closed a dental school, which was the most painful thing that I did in 14 years. I wouldn’t want to do such a thing again.

As we look to the future, I am worried about inflation. I’m not a macroeconomist, but I don’t think anybody who runs a university could not be worried about it because in many ways inflation is tougher for universities to adjust to than deflation because we don’t make widgets. We can’t get huge productivity out of ourselves, and if we get into a high inflationary period, it’s hard to pass it on in high tuitions. There’s lots of pressure from politicians, and from your constituencies, if you just keep ratcheting up tuition. In fact, I mentioned our tuition is up 3.6% this year in nominal figures—not real, but nominal figures—that’s the lowest in 40 years for Northwestern. That’s very low for us; we were very sensitive about what we were going to do with tuition because we were worried about incomes. And if we get into stagflation, that will be the hardest thing.

We’re also going to feel more pressures that education ought to be vocational to meet job market concerns. At Northwestern, in some parts of the university, we already do stream people into sort of designated paths for the job market—such as our journalism or engineering students—but I think in general we’re going to see more pressures on liberal arts curriculum from parents, which will be to some extent passed on through the students.

At the same time, higher education has been a very large, growing sector of the economy. Allen Sinai talks about a doubling of the sector in the last decade. That’s not going to happen in the next 10 years. That’s just not going to happen, you’re not going to see that kind of expansion in higher education. There is also more competition internationally. British and Australian universities, for example, are using students from Hong Kong, Singapore, and Malaysia for tuition growth. Some American universities do that, but I don’t think it’s done much by the elite universities. We’ve increased the number of non-American students at Northwestern from 1% to 6% in the last several years, during my time as president. We did it because we wanted a more diversified student body. We thought it was good for everybody to have more people coming from different parts of the world. We never thought about it as a revenue source. It didn’t cross our mind, and we haven’t thought about it for our international programs. We went to Qatar, and set up two schools there. We didn’t think about it as a revenue source. Qatar is a positive revenue for us, but that’s not what drove us there. Will the big elite universities think more about revenue sources as they go abroad? If they do, I don’t think they’re going to find that much, really. Qatar is very unusual. Very wealthy. There’s going to be money for research, maybe, in some other places, but you’re not going to find too many deals out there that are really income-producing for universities.

A couple other issues I want to bring up: Ph.D. production. We produce too many Ph.D.s. We don’t do manpower planning, and I’m not sure anyone really can. The Soviets never got it right, and I can’t imagine we would either in a highly centralized way. It’s been hard to get a hold of Ph.D. production in certain fields. Again, universities have not been great at ratcheting back. They’ve let the market go, and just say, OK, we’ll produce too many English Ph.D.s, they’ll go somewhere else if they don’t go to places like us. Is that a good model? Is that sustainable?

Athletics. I think you all know that very few universities in Division I athletics make money from athletics. At Northwestern, we’re lucky we have a small stadium, and we benefit from revenue sharing in the Big Ten. It’s a very equitable model with regard to TV and Bowl revenue being shared. If you do real budgeting and take account of athletic scholarships, almost everybody loses money in athletics. What’s the future going to hold? This is the time, I think, to try to get a hold of athletics and yet, I don’t see any progress being made. The travel budgets are crazy for teams. We travel in the fall. We travel in the spring. It’s a little nuts, and yet we can’t get a hold of it in any way. Coaches’ salaries go through the roof, and you say to yourself, if you’re a place like us, we have high academic standards. But of course, we want to be competitive. It’s a market. So on the one hand, it’s the market that drives you to try to have competitive salaries for your coaches. On the other hand, it’s outside the culture of our university to do that. I’m not going to be invidious and mention some of the...
names of other universities that don’t seem to worry about it, but there’s a bar that gets set that even if you don’t meet it, you’re going towards it.

These are issues for the future, issues that you live with much more easily in a growing environment than in an austerity environment—whether it’s thinking about how you are going to deal with medical school budgets or with athletics. We also seem to be in a far less predictable environment than we’ve had for a very long time. That’s in part because there have been some flip-flops from the federal government, and it’s in part because the president and Congress have spiked up big science funding. What I’d like to see on science funding is a predictable, real 5% annual increase so that universities would know what they’re dealing with—in instead of this doubling we had of the NIH budget, which was great, but then it went down in real terms during the Bush administration. That’s terrible for us. We have long-cycle spending. We build buildings. We put in equipment, which is long-cycle, and we’re caught in a year-to-year budgeting cycle, which is a very bad thing.

Thank you. I know that David can give you an account of what’s happening at the publics.

THE ROLE OF THE UNIVERSITY IN A GLOBALIZED WORLD

David Boren, University of Oklahoma

I’m going to try to turn this discussion in a bit of a different direction—a non-economic direction. I do want to mention, though, that in public education, we all realize that we’re certainly facing a continuing problem as we look out at the year after the stimulus ends. From the point of view of public education, that’s the most serious year because that’s when we have to try to rebuild the base that’s been backfilled by stimulus money. States have taken a lot of this money and merely substituted it for their previous budgets, and have lowered their real, sustainable base for higher education.

We face other problems in public education: the pressure toward vocational and trade approaches to higher education, which threaten the whole concept of liberal arts education. That’s particularly true when you’re dealing with public universities and state legislators, who ask, why do you need philosophy or classics departments? Why don’t you just train students so they can go out and immediately get a job? And, what’s an historian going to do?

At Oklahoma University we maintain a very strong classics and letters curriculum. It’s something we feel very strongly about. We have 800 majors in classics and letters out of 16,000 undergraduates. State legislators may well ask, what good is that? We face that sort of pressure—particularly as a public university. Members of Congress today have the fewest passports in the history of the country, precisely at the time when we most need to be globally involved. Some even brag about it. Our legislators are trying to pass English as the official language. They’re not interested in expensive programs that encourage our students to study abroad or to learn other languages. They consider that waste. So we must defend those priorities.

We’re also under tremendous pressure on tuition. Three states have taken the power to set tuition away from their universities and their board of regents. They set it in the legislature. That’s terrible because when state legislators have that authority, they hold you prisoner as a university on many other issues. First of all, they’ll give you zero tuition increase every election year because it’s unpopular for them to vote for tuition increases. I keep telling legislators that’s why you shouldn’t want that power and responsibility. Leave it to us to take the heat. We had no tuition increases this year. I announced very early on, about the first week of the legislative session, that we would have no tuition increases this year. We understand what our families are facing. That helped to take the wind out of the sails of two bills that were really moving forward to take away tuition setting authority from the universities.

I was tempted to skip any comment on athletics, but of course, coming from Oklahoma, I know what it means to be in a competitive race on coaches’ salaries and the rest of it. Let me tell you, we lead in our state in Rhodes Scholars. We’re first in the nation for National Merit Scholars enrolled per capita at a public university. We’re in the top 10 in Goldwater Scholars. Do they ever invite these scholars to come to the legislature to be honored? No. They invite our championship football team, and our coaches, and they honor them with resolutions. It is appropriate to honor outstanding athletes, but outstanding scholars should also be recognized. There is tremendous pressure at a public university where state pride is—as it is in many places and many cities—associated with success in athletics. Athletics become a very important part of the kinds of pressures that are put on you to not do anything that will hurt your competitive position and state pride. The pressure is to exempt athletics from budgeting constraints. You feel that at a public university, just as you feel the push towards vocationalism, and just as you feel the push back on globalization of the university at the very time we need to be doing it most.

What have we been doing at the University of Oklahoma? Many of the same things that were talked about by my colleagues at private universities. While our endowment is not
as significant as most, it’s about $1.5 billion and generates about 6% of our spending. It’s very important in terms of that margin of quality for a public university. We have a very well managed endowment that has suffered a lot less than others—under a 20% reduction, and we have a good averaging rule in terms of return. That’s been hard for us to deal with, but not as hard as it has been for the private universities. The whole question is the stimulus money, and what's going to happen when it goes away.

This year we implemented a 3% budget cut. We’ve coined a new phrase: I call it “lucky foresight.” I claim it’s foresight, but it’s really luck. Before the meltdown, I became concerned. I was in fact criticized in the state newspaper for just trying to scare people into giving higher education more money. I thought that something was coming in our economy. We froze hiring except that the provost and I can still hit targets of opportunity for really talented people. In a public university, we really look for talented younger faculty coming out of the best PhD programs in the country, and we try to target them. It’s a great time for us now because the market is so difficult for them. We put in a hiring freeze early on, which has helped us because it gave us lead time. We had added about 200 faculty in the past four years. We also halted our new capital projects that were not already underway—we were worried about what would happen to the bond market. That also gave us more time to help ourselves prepare for the downturn.

We were also lucky in that starting about four years ago we began to focus all of our fundraising on scholarships as our number one priority. We doubled our private scholarship endowment at the university in four years. So for four straight years we’ve targeted a lot of additional help for middle income as well as low-income students, and we’ve been increasing our financial aid more quickly than we’ve been raising tuition. We can’t continue this forever, and obviously, we can’t continue a tuition freeze forever if we’re going to get through without having to have furlough days or without losing any of our faculty. We’ve reduced staff by attrition, and we’ve reduced some faculty by attrition, which we hate to do because we were making great improvement on our faculty-student ratio.

The other thing that has impacted us is that we’ve changed the entire ethical attitude in our athletics department over the last 20 years or so, and we now have high graduation rates. One of the things I did was call on our top coaches, and talk to them about the budget situation we faced and about how they must be a part of the team with the rest of the university. The university cannot continue the kind of increases that we’ve had in the past, and we couldn’t continue the kind of increases we’ve had in the athletic department either—although it’s not only self-sustaining, it is profitable. We put a surtax on our football tickets four years ago to give $1.5 million a year to the library, and this year we are ratcheting up the academic contribution of the athletics department to $7 million. So we are touching athletics. Maybe it will prove to be the third rail, but the nice thing about it was that I had our top six or seven coaches in

and we really had a heart-to-heart talk about the problem, and the admiration that people had for them, and their need to become a part of this process. The response of our coaches was totally positive and very encouraging to me.

Now, let me move to a bigger picture because I think it’s very important. As we set financial priorities, as we face the kinds of constraints that we’re going to have, we need to consider that if we cut much further our great universities around the country will no longer be great. This is a real threat to the entire country. We should be unashamed about defending our universities. We need to work politically on this as well: all of us need to alert those people who love our universities, understand our universities, and also have tremendous political influence either as donors or activists. We need to mobilize all these people to fight for the universities. Preservation of universities has never been more important in our society than it is in this exact moment.

We’re going through the perfect storm. We have a financial crisis at the same time that we are going through a complete redefinition of America’s role in the world. We are the first generation in several generations living in a multi-polar world. Think about that: the two competing power blocs in the arms race finally broke into World War I. And we know that as we went into World War II, the world was in two camps—the forces of freedom versus the forces of fascism. We knew our role in the world. We were the leaders of the free world. Once the war ended, that situation morphed immediately into the Cold War, and once again, it was bi-polar, and we knew our
We are self-selecting ourselves into smaller and smaller groups of people like ourselves so that we very rarely come into contact with people who do not think like us... We even enforce our biases by deciding where we get our news. We choose our set of facts.

role. We had enormous influence because we were the umbrella of protection for many other countries, whether they be in Asia or Japan, for example, partly because those countries spent very little on defense. The United States spent eight times as much per capita as Japan did then on defense. Europe looked to us, and the members of NATO followed us either at the UN or elsewhere in terms of our foreign policy leadership because they needed our protection.

Economically, we held an enormous share of the world's wealth. At the end of World War II and during the next 25 years or so real incomes and purchasing power of Americans doubled, and the United States had an over 70% share in world trade. We had the 10 largest financial institutions in the world. We were absolutely dominant. In many ways, we led like people used to lead companies—in an authoritarian way, in a command situation as opposed to a partnership-teamwork situation where you give your employees a sense of ownership.

We're going through a complete change in the way that the United States is going to play a leadership role. There are centers of power elsewhere now. The European Union itself is a center of power economically. If we were not in a trade zone with Canada and Mexico, our market would not be the largest market in the world. Having the largest market, and people wanting access to it, is important. The European Union is no longer dependent upon us for their security, and is no longer afraid of the Russians the way they were afraid of the Soviets during the Cold War. They follow their own independent course.

I don't need to mention India and China. Their growth over the next 20 to 25 years means that they will overcome us in gross terms in the size of their economies just as the students we're now teaching mature into leadership roles. They could become our military equals as well. They have 10 times our population. Oil will come back, and the Russians will have power. The Middle East: not physically secure, but it has tremendous economic power—as does China. Middle East sovereign funds, the part of our debt they own, give them the ability to indirectly influence our decisions because of the financial power they hold over us. In other words, our students will become leaders of this country in all spheres at a time when America's role in the world is no longer a command-leadership role. What is it? It's a partner-leadership role.

Now, there are going to be six or seven countries sitting at the table, if you want to think of it that way, with real power to make decisions, and none of us is going to be able to do it alone. Look at the first Gulf War, which by the way cost us zero in financial terms because President Bush Sr. and then Secretary of State Baker, and others, were so very careful in building alliances. We were actually slightly over-reimbursed financially for the cost of the first Gulf War. That shows what partnerships can do in terms of reducing financial burdens on American taxpayers and the strains on the American economy. We're 6% of the world's population—maybe 5% depending upon the data used. How do we mere 5 or 6% continue to play an important and influential leadership role in the world? We do it by a new kind of leadership, and I think that the president is beginning to attempt to do that. Some of the speeches and pronouncements he's made have been important examples of that. We have to really learn how to listen.

The approval rating of the United States fell by 400% from the time of 9/11 to the end of the Bush administration. In the first few months of the Obama administration, the U.S. has regained about half of the approval and trust which we had lost. I'm talking about approval ratings in the single digits even in places like some of the European countries, which in theory were part of our so-called coalition in Iraq.

What does that mean? Even George Washington wrote wisely about this, and sometimes I think we underestimate his intellectual capabilities. He said, treaties don't last unless they benefit both sides. Don't try to negotiate something that benefits you so overwhelmingly that the other side will get out of it whenever they can. Who do you want as your partner? You want someone that you really know. You want someone who's going to really listen to you. You want someone who understands your needs as well as they understand their needs. That means they understand your history. That means they understand your culture—and it would help a lot if they spoke your language. The set of talents that it takes to be a leading partner at the table, a leading influence in the world for the next generation, is complex. For Americans to exercise the kind of leadership role that previous generations have exercised is going to require a tremendous increase in skills—particularly global skills, cultural skills, and the rest.

So, we face the economic crisis and the total redefinition of our role in the world and the way in which we exert our influence in it. The third challenge we face is the breakdown of community here inside the United States, the fragmentation...
of this country. What is the cause, and what is the effect? Is the political, partisan polarization that we see in Washington D.C. the cause? I've written the president several memos about how to try to bring back bipartisanship because I think that is something that he is serious about, but you can't do it unless you bring people physically together in small groups. I had a reunion with seven of my former colleagues and our spouses at Senator Danforth's home in St. Louis just a few days ago. It was a great thing. Half of us there were Democrats, half were Republicans. We all truly love each other. We've remained close friends since we left the Senate, but one of the reasons is we began regular get-togethers in the Senate. We had potluck dinners at each others’ houses. We worked together on bipartisan propositions. Now, Republicans don't even get to know the new Democrats, and new Democrats don't even get to know the members of Congress who are Republicans. So where does it all come from?

A Texas journalist named Bill Bishop has written a fascinating book called The Big Sort, which points out that it's not just polarization in Congress. It's what's going on throughout our society. We are self-selecting ourselves into smaller and smaller groups of people like ourselves so that we very rarely come in contact with people who do not think like us. In neighborhoods, we tend to live with people who think pretty much like we do. Even the mega-churches are creating slices of interest groups in these huge organizations of people who think alike—the same age, the same background, the same economic level, etc. They have “Sunday school” discussion groups together.

We're choosing where we live. If you look at congressional districts, the number of runaway districts, landslide districts where Republicans or Democrats win by at least 60% to 65% of the vote, has doubled in the last 20 years. That means those are safely drawn districts, where you appeal to the extreme of the base of your party. You don't need to appeal to the middle anymore. You can just win your own party because your party is going to win that congressional seat. It all plays out.

We're even now to the point, according to Bishop in The Big Sort, where we not only avoid people who don't think like us in our neighborhoods and in our churches, but we even enforce our biases by deciding where we get our news. We choose our set of facts. Do we watch MSNBC, do we watch Fox, or do we watch CNN, and which newspapers do we read—either on paper or online, which blogs, and so on. We tend to be self-selecting. We are fragmenting more and more, and if there is ever anything that is really going to affect the strength of this country, it's fragmentation, because when you go back to what has brought us through so many crises, it is that strong sense of community.

We talk about interventions in families and in personal lives. I would say to you that there is one point of intervention left in our society to try to create that sense of community that has been so lacking, where there is tolerance, mutual respect, civility, and not unity of opinion: The university is the one place where we have a chance to intervene. We intervene by bringing people together who are very unlike, whether it's racially, whether it's culturally from where they come, whether it's their economic level, whether it is their sexual preference, religious views—we could go on and on down the list. The university is the place that brings them all together. That's why there is a residential aspect of the university, especially in the freshman year, which is so important.

When I got to the University of Oklahoma, students could pick their roommates. They could pick their suitemates. They could pick their hallmates. They put together packages of hallmates, and even picked their residence halls. There was absolute racial and economic segregation in housing that played out throughout the campus—in the dining halls, who students played hoops with, and how they socialized. I plagiarized from my Yale and Oxford experiences by creating houses and colleges, and put families in residence in all the dorms. I changed the system and told the students to pick one roommate or take potluck if they wish but that they can't pick their suitemates. They can't pick their hallmates. They can't pick which dorms they live in. We're going to shuffle the deck. Every dorm is going to look like every other dorm, so that you have to live with and be with and learn from and grow from people who don't look like yourself. At a university, we can create real community, unlike any place else in our society these days as we are sorting ourselves out in a very, very damaging way.

What am I saying here? The question is, how do we mere 6% of the population remain world leaders? First, we must not apologize for our lead in higher education. It is the country's one single greatest asset as we move into a very changed world. While we have only 6% of the world's population, various surveys show that we have between 60% to 80% of the best higher education institutions in the world, and about 80% of the top 50 universities in the world—universities that teach people how to think critically and broadly in terms of the impact of their decisions. We must fight for this incredibly important asset. We must not give up.

Newsweek International editor Fareed Zakaria recently said that while India is turning out 3 times as many engineers, and China is turning out 10 times as many engineers as the United States, if you look at the top 2,000 that are being turned out in the world, 90% of them are still being educated in the United States. By the way, a significant portion of those coming as international students to study here stay here and have
been revitalizing this country for many, many years. Those who do go back to their own countries understand us better and become the strongest spokespeople for this country in their own societies.

Let us fight against compromising the basic purpose of the university itself. Let us fight against turning the university into a trade school, and against moving in a narrow vocational direction as public universities are being pushed to do. We must maintain the strength of our liberal arts core curriculum. As David McCullough said, we must understand ourselves; a nation that doesn’t know how it became great will not remain great. It’s frightening. One study found that 50% of the high school students surveyed who graduated from high school two years ago thought we fought on the side of the Nazis during World War II. 50%! Another survey of students at the top 20 ranked colleges and universities in the country found that 25% of them thought that the President of the United States had the power to suspend the Constitution and the Bill of Rights at his or her discretion. In terms of our own responsibility, one of the problems is that only 8% of American colleges require significant study of American history and American government, and yet all our students are citizens no matter what vocations they may pursue.

Whether it’s understanding other cultures or whether it’s understanding ourselves, we must not allow this economic crisis to cause us to cut into the broad liberal arts mission of the university, or to cut the areas in which we teach people how to think independently, because that is our strength. We must not give up on the residential model of universities because that’s the point of intervention in the “big sort” that’s going on in this country. We desperately need to end polarization. We desperately need to increase community. We desperately need to increase dialogue. The university is the best place to do that, by building on the diversity in our universities, and by making sure that while we are diverse, that we’re not living apart, and by using the university as a setting of intervention in which to bring people together. It’s absolutely essential.

Finally, we must not give up or cut corners on global education, even though it is costly. And that means not just using it as a source of tuition, but incentivizing outstanding students from other countries and making it possible for them to come and study at our institutions. We must also make it possible for our students, including those who are not affluent, to have study abroad experiences. We must not give up on global education.

My message this morning is that as we struggle with cost cutting, as we struggle with priority setting, and as we struggle within the political environment that we face, we must not forget who we are and why we are. We must not miss the point that never at a time in our history has the university been more important. We must be more sophisticated about how we play our role in the world. We must be more inclusive. We must form partnerships. Global education is essential to making these things possible. Setting financial priorities should never lead to compromising our basic mission.

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